

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (1/28)**

BUTTER: Grade AA closed at \$1.5550. The weekly average for Grade AA is \$1.5517 (-.0008).

CHEESE: Barrels closed at \$1.6900 and blocks at \$1.7150. The weekly average for barrels is \$1.7105 (+.0430) and blocks, \$1.7490 (+.0484).

BUTTER: The butter market tone is unsettled. Cream offerings across the country remain heavier than anticipated for this time of the year. Cream offerings are the heaviest on both coasts with surplus clearing to the Central part of the country. Many Central butter producers are cautious when negotiating or purchasing outside cream offerings. In many instances, sellers need to clear their cream volumes, occasionally at unheard of prices. Churning schedules across the country remain quite active. Commercial demand is fair and is clearing good volumes of fresh butter. Current production is keeping pace with demand and additional volumes of butter are entering inventory programs.

CHEESE: The cash cheese market is unsettled to weak. Recent declines in the cash cheese prices at the Chicago Mercantile Exchange have many buyers worried about the possibility of additional reductions. Demand is generally slow to fair as product for Super Bowl activities has been shipped. Current price levels are high enough to slow or depopulate planned cheddar aging programs. Buyers are reluctant to accumulate inventory at current price levels. Production is steady to just slightly higher seasonally. On January 21, CCC announced that offers to purchase 219,524 pounds of aged barrels and 275,849 pounds of aged blocks under Invitation 018 to DSC1 were rejected due to price.

FLUID MILK: Recent adverse weather conditions from coast to coast continue to have an impact on milk production and logistic patterns. A strong snow storm last weekend impacted transportation and logistic problems for producers and handlers in Central and Eastern areas of the country. Snowfalls of more than three feet were noted around Boston and more is expected this week. There were no reports of dumped milk, but farm pick-ups and tanker loads were often delayed. Milk production in the Middle Atlantic and New England areas is about steady and increasing in Florida and other Southeastern states. Output in the Central part of the country is holding seasonally steady. In California, recent wet conditions remain a factor in the Southern producing areas but the declines have leveled following dryer conditions. Milk production in California is steady to slightly higher. In New Mexico, past weather related conditions continue to impact current production trends. Milk per cow continues to lag year ago levels as cows are not responding as favorably as expected despite better weather conditions. In the Pacific Northwest and Mountain areas, production is steady at seasonal levels with some handlers indicating milk volumes to be slightly behind expectations. Cream markets in many part of the country remain weak. Surplus volumes of cream are quite heavy, especially for this time of the year. Cream is the heaviest on both coasts with surplus clearing to buyers in the Central part of the country. Cream multiples remain weak and are often adjusted lower to clear offered volumes.

DRY PRODUCTS: Nonfat dry milk markets are firm with prices generally higher across the country. Production is generally steady depending on milk availability. Recent adverse weather conditions in the Eastern half of the country have stimulated Class I demand thus limiting milk volumes to the dryer. Buying interest remains good across domestic and export accounts.

Export interest continues to clear current production and offerings. Buttermilk powder markets are mixed, but basically steady. Drying schedules are quite active in many parts of the country as churning schedules are equally strong. Current buyer interest remains slow. Some producers and handlers speculate that dry buttermilk demand may improve as the NDM supplies appear to be tightening. Whey powder markets are steady at unchanged prices from coast to coast. Powder production is steady with most volumes contracted, although an occasional load does come available.

CCC: During the week of January 24 - 28, there was no price support activity. The last NDM purchase under the price support program was made at the end of November. During this week last year, a total of 18.4 million pounds of nonfat dry milk was offered to CCC.

COLD STORAGE (NASS): On December 31, U.S. cold storage holdings of butter totaled 51.8 million pounds, 9.4% less than a month ago and 48.1% less than last December. Natural American cheese holdings total 477.5 million pounds, 0.8% lower than a month ago and 2.8% less than a year ago. Nonfat dry milk holdings at the end of November total 565 million pounds, 37 million pounds less than October and 497 million pounds lower than last November. The government holds 81.1% of the total nonfat holdings.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first eleven months of 2004 totals 161.0 billion pounds, 0.4% above the same period in 2003. Comparing disappearance levels with year earlier levels: butter is +2.0%; American cheese, +1.9%; other cheese, +2.9%; NDM, +41.7; and fluid milk products, -1.1%.

DECEMBER CONSUMER PRICE INDEX (BLS): The CPI for all food is 188.5, up 2.7% from December 2003. The dairy products index is 180.1, up 4.1% from a year ago. The following are the December to December changes for selected products: fresh whole milk, + 6.0%; cheese, +5.3%; and butter, + 28.3%.

DAIRY OUTLOOK (ERS): Continued tightness in international dairy markets eliminated surplus removals of nonfat dry milk during the yearend holiday period—for the first time since 1989. Normally, the drop in fluid milk sales during the holidays leads to a temporary surge in production of nonfat dry milk by fluid market balancing plants, some of which winds up sold to the government. This year's export interest easily absorbed the probably limited amounts available. December net removals were actually negative, as no purchases were made, and modest amounts of old powder were sold for unrestricted use. Commercial exports are expected to stay large in the first half of 2005. European supplies are tight, milk production continues down in Oceania, and U.S. prices are now quite attractive. With U.S. Government stocks currently far below the massive levels of recent years, international buyers can no longer be as cavalier about arranging supplies. Unless Oceania production rebounds quite robustly during the end of their season, most of the available U.S. powder through midyear probably will be exported. Small first-half removals are possible—but far from certain. Some powder is likely to wind up out of position, and additional amounts may be sold to the Government when an export deal falls through. However, international markets tight enough to hold support purchases to negligible amounts are certainly possible. The powder surplus probably will stay small until at least the new season in Oceania.

******SPECIAL THIS ISSUE******

DECEMBER COLD STORAGE (PAGES 7-8)
FEBRUARY FEDERAL MILK ORDER ADVANCE PRICES (PAGE 9)
CONSUMER PRICE INDEX (PAGE 10)
COMMERCIAL DISAPPEARANCE (PAGE 10)

DAIRY OUTLOOK (PAGE 11)
FEBRUARY ANNOUNCED COOPERATIVE CLASS I PRICES (PAGE 12)
DAIRY GRAPHS (PAGE 13)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JANUARY 24	TUESDAY JANUARY 25	WEDNESDAY JANUARY 26	THURSDAY JANUARY 27	FRIDAY JANUARY 28	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.7250 (N.C.)	\$1.7250 (N.C.)	\$1.7225 (-.0025)	\$1.6900 (-.0325)	\$1.6900 (N.C.)	(-.0350)	\$1.7105 (+.0430)
40# BLOCKS	\$1.7575 (N.C.)	\$1.7575 (N.C.)	\$1.7575 (N.C.)	\$1.7575 (N.C.)	\$1.7150 (-.0425)	(-.0425)	\$1.7490 (+.0484)
BUTTER GRADE AA	\$1.5500 (-.0050)	-----	\$1.5500 (N.C.)	-----	\$1.5550 (+.0050)	(N.C.)	\$1.5517 (-.0008)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 24, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 1 CAR GRADE AA @ \$1.5500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.5550

TUESDAY, JANUARY 25, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 26, 2005

CHEESE -- SALES: 2 CARS BARRELS @ \$1.7275; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.7225

BUTTER -- SALES: 4 CARS GRADE AA @ \$1.5500; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$1.5500, 1 @ \$1.5450, 2 @ \$1.5400; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.5550

THURSDAY, JANUARY 27, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.6900, 1 @ \$1.7225

FRIDAY, JANUARY 28, 2005

CHEESE -- SALES: 4 CARS BARRELS @ \$1.6900; 4 CARS 40# BLOCKS: 1 @ \$1.7425, 1 @ \$1.7350, 2 @ \$1.7150; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS @ \$1.6900; 2 CARS 40# BLOCKS: 1 @ \$1.7150, 1 @ \$1.7550

BUTTER -- SALES: NONE; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$1.5550, 1 @ \$1.5525, 1 @ \$1.5500, 1 @ \$1.5450; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.5750, 1 @ \$1.5800

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9325 and Grade A at \$0.9525. (The last price change occurred January 26th.) The weekly average for Extra Grade is \$0.9305 and Grade A is \$0.9475.

BUTTER MARKETS**DECEMBER COLD STORAGE**

According to NASS, December month-ending cold storage figures for butter total 51.8 million pounds, 48.1% less than last December and 9.4% less than December 2004.

NORTHEAST

The butter market is a little more settled, but after last week's mid-week decline to \$1.55 the CME cash butter price has held relatively steady. Churning activity in the Northeast remains heavy. Excess cream volumes are excessive and the recent storm caused delays in transportation, which further exacerbated handling/clearing problems. Local churning facilities are full and do not want any more cream. Increased shipments to Midwestern butter makers are noted and multiples are often lower. Demand for butter is spotty. Some producers, printers, and speculators want to rebuild bulk inventories. Packaged butter stocks are fairly well balanced for the slow to fair demand. The recent storm did create a large amount pre-storm panic buying, which did clear butter and other dairy products from store shelves. Food service orders/deliveries in most of the Northeast were disrupted by the storm. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

The butter market tone remains unsettled although the cash price has held basically unchanged around \$1.5500. Cream offerings to Central butter producers remain heavy, especially from outside sources. Most producers are cautious when negotiating or purchasing outside cream offerings. In many instances, sellers need

to clear their cream volumes, occasionally at unheard of prices. With all of the cream clearing to the churn, butter production is seasonally strong. Commercial demand continues to clear good volumes of butter, although inventoried stocks continue to increase. Retailers are looking toward the Passover/Easter holiday period. Some producers and handlers indicate that consumers might see more feature activity during this holiday period than during the recent year end holidays. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash butter prices showed some weakness at the CME last week and that weakness continued this week. Contacts believe that the downturn was related to the very heavy cream offerings and subsequent churning activity of the past few weeks. Cream offerings appear to be somewhat lighter and churning is now backing off a bit. Butter demand is strong enough to clean up some of the stocks built up since the end of the year. U.S. Cold Storage stocks at the end of December total 51.8 million pounds, down 48% (47.8 million pounds) from last year and down 9% (5.4 million pounds) from last month. This is the lowest inventory since December 2001. CME weekly inventory numbers continue to grow which is normal for this time of year. Last week, stocks grew by 3.5 million pounds to reach 32.6 million pounds. Stocks have grown by 27.3 million pounds (with some adjustments noted) over the last five weeks compared to 22.5 million pounds for the same period last year. Last year in week four, total stocks were 78.3 million pounds. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
JANUARY 22	1.5187	1.5054	0.8977	1.5627	0.2457
	8,017,418	10,208,063	18,255,465	3,527,374	10,054,600

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mostly higher and the market undertone unsettled. Many contacts continue to be surprised by the sharp run-up in prices at the CME. In the past two weeks, the CME cash price for barrels and blocks have increased \$.2750 and \$.2650, respectively. Contacts wonder if and when a price correction will occur. This past weekend's snow storm blanketed most of the Northeast and little product moved into or out of distributors' warehouses. Streets in urban areas were still blocked early this week, which made deliveries to stores and restaurants difficult. With the exception of a couple foot ball games, the storm kept most people at home. Retail sales were slow to fair and food service orders were slowed by the weather.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.7675-2.2825
Cheddar Single Daisies	:	1.7250-2.2000
Cheddar 40# Block	:	1.8400-2.1000
Process 5# Loaf	:	1.8775-2.0850
Process 5# Sliced	:	1.8975-2.1200
Muenster	:	1.9400-2.1425
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to weak. Some traders anticipate a price correction in the not too distant future. Finished product pricing policies are affecting demand. Orders from customers based on the weekly CME average are light. Customers that are priced based on monthly adjustments are building stocks ahead of higher February prices. Operating schedules have declined at most cutters as Super Bowl orders have been shipped. Spot availability is increasing on cheddar and American types though some traders continue to seek additional bulk supplies. Natural interest is fair at best, often slow. Mozzarella interest is uneven, ranging from lighter to slightly improved, depending on type of customer, with offerings available. Process interest is fair at best. Cheese output is steady to slightly higher seasonally. Yields remain good for January but are declining slowly. Some plant operators are looking at Class III milk prices, expecting a likely large increase in February and possible "red ink" in February if cheese prices retreat.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.8475-2.0525
Brick And/Or Muenster 5#	:	2.0300-2.2550
Cheddar 40# Block	:	1.9300-2.2650
Monterey Jack 10#	:	2.1000-2.2950
Blue 5#	:	2.5500-2.7500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9400-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
01/24/05	20,767	:	126,062
01/01/05	12,599	:	124,064
CHANGE	8,168	:	1,998
% CHANGE	65	:	2

WEST

Block cheese prices at the cash CME have increased 27 1/4 cents since January 6. Wholesale prices for natural cheese have followed suit. Contacts are surprised at this much price strength at this time of the year. Purchase activity has increased over the last few weeks as the prices have increased. Some of the activity is to beat additional possible increases and some is to fill in depleted stocks. Some buyers are expressing anger that the price run up is not based on supply and demand conditions, but on milk price speculation. Mozzarella sales range from steady to slow with very little old stocks available. Swiss stocks seem to be in a little better balance after being on the heavy side all fall. The U.S. Cold Storage report indicates that American cheese inventories at the end of December declined by 3% from last year (13.9 million pounds) to stand at 477.5 million pounds. Stock levels are down 1% or 3.7 million pounds from November. That is the largest December decline in 17 years. Over the last nine years, stocks have grown on average by more than 11 million pounds during December. Swiss stocks, at 26.3 million pounds, are unchanged from last year and up slightly from November.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.8225-2.0800
Cheddar 40# Block	:	1.8225-2.1750
Cheddar 10# Cuts	:	2.0025-2.2225
Monterey Jack 10#	:	2.0125-2.1725
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are generally unchanged on imported styles, sharply higher on domestic styles. During the past two weeks, the 40# block price (the basis for most domestically-made cheese sales) has increased more than twenty-six cents. This past weekend's snow storm has many distributors trying to get caught up with deliveries. Demand for foreign type cheese is fair. The U.S. dollar has rebounded slightly against the Euro, but is still weak and having an impact on orders/purchases of cheese to import.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2900	: 2.0825-3.5825*
Gorgonzola	: 3.6900-5.9400	: 2.4900-2.5975*
Parmesan (Italy)	: TFEWR	: 3.4875-3.6025*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.8900	: 2.0950-2.3175*
Romano (Cows Milk)	: -0-	: 3.2775-5.4425*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggiano (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	130	0	29	0	110
SOUTHEAST STATES	0	0	0	0	0	0

The base price for Class I milk for February 2005 is \$13.79 down \$2.86 from January. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for February is \$7.79, up \$.59 from January. The results of the second, industry-run CWT herd retirement program were recently announced. Nationwide, 363 bids were accepted. This resulted in nearly 50,500 cows being retired. These numbers compare to 299 accepted bids and 33,000 cows in first program in 2003. In region 1 (Northeast) 53 bids for 3,871 cows were accepted. In region 2 (Southeast) 39 bids for 4,066 cows were accepted. Milk production is about steady in the northern parts of the region and increasing in Florida and other Southeastern states. Last weekend's snow storm caused a great deal of panic buying at grocery stores from New England down to Atlanta. Snowfalls of more than three feet were noted around Boston and more is expected this week. There were no reports of dumped milk, but farm pick-ups and tanker loads were often delayed. Many schools and businesses from the Middle Atlantic area up to the New England and as far west as the Upper Midwest were closed for various periods of time. Class I milk sales were excellent and bottlers were looking for extra milk. The call for Class I milk continues good this week, but with many schools closed for a day or two, demand would have been greater. Florida's milk output is increasing rapidly and handlers had to ship increased volumes out of state for processing. Southeastern manufacturing/balancing plants now have more milk to process, but most are just operating on weekends. The condensed skim market is mixed. With some northern drying plants getting allocated or shut off from their natural gas supplies, more condensed was being offered on the market. Some cheese makers are showing more interest in wet solids now that supplies of NDM are tightening and more expensive. Some cheese plants have increased the days of operation, which is pulling more milk from butter/powder plants. The fluid cream market remains weak. Offerings are excessive and demand is seldom better than fair. Multiples are down into the "one-teens" for Class II users. Those ice cream plants that are operating are finding the low multiples very pleasing. Cream cheese plants continue to operate on lighter than normal levels. Churning is heavy and butter makers are being offered a lot of cream. Reports indicate that some butter makers fear offering any multiple for fear that the shipper will accept. Multiples of 115-118, delivered are common, but lower numbers were noted.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.7388-1.9872
DELIVERED EQUIVALENT ATLANTA	-	1.7854-2.0648 M 1.8320-2.0183
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8320-1.9562

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- 1.0600-1.1400

M I D W E S T

Class I interest is generally light to average. Promotional activity in selected markets is generating extra retail interest, particularly when featured at \$2.00 or less per gallon. Heavy snow blanketed much of the region also aided in some extra sales in some areas over the weekend. The announcement of a \$2.00+ decline in the February Class I base price from January may have provided other retailers the impetus to wait until February to promote milk. Production of dips and sour cream were steady to somewhat heavier in preparation of Super Bowl orders. Milk supplies are tight and, as in most non-holiday weeks through much of the central and upper parts of the region, very limited spot milk supplies are available for sale. Reported spot manufacturing milk prices range from a net of \$1.00 - \$1.50 over class. Cream interest is soft and buyers are firm with their offer price. Ice cream demand for cream is steady at best. Condensed skim interest from Class II accounts remains good. The tight supplies and higher prices for NDM are doing little to stimulate interest in the higher priced Class III condensed skim. Current milk

intakes are generally steady. A few milk handlers are starting to wonder why milk supplies are so tight and/or why their milk intakes may have gone down in recent weeks. Fat and protein tests remain strong for January but are down from late year peak.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

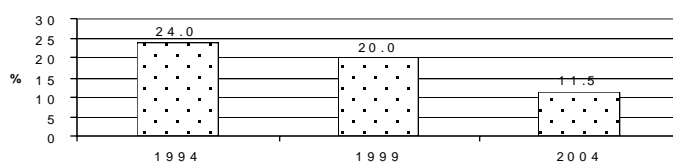
	JAN 20 - 26	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 55.50	\$ 47.00- 51.50
REPLACEMENT HEIFER CALVES	\$300.00-600.00	\$300.00-560.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 20 - 26	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 60.00	\$ 47.00- 52.75

W E S T

U.S. milk production for 2004 is estimated to total 170.48 billion pounds (unadjusted), up 0.1% from 2003. Output for selected Western states compared to last year is as follows: Arizona +5.4%, California +2.8%, Colorado +1.2%, Idaho +3.5%, New Mexico +1.4%, Oregon +3.6%, Utah -0.6%, and Washington -3.0%. December 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.96 billion pounds, 1.1% higher than last year. (The change is affected by milk volumes not being included in the pool receipts for December 2004.) Calendar 2004 output in California totals 35.25 billion pounds, down 0.1% from last year on an unadjusted basis. The December blend price, at a fat test of 3.80%, is \$15.16, unchanged from November but \$2.79 more than December 2003. The percentage of receipts used in Class I products is 15.53%. The December quota price is \$15.74 and the over quota price is \$14.04. These prices are unchanged from November but \$2.65 more than a year earlier. CALIFORNIA milk production is steady to trending slightly higher. Recent wet conditions remain a factor in the Southern producing areas but the declines have leveled following drying conditions returning. Milk supplies are steady to higher in the northern areas and the Central Valley. In part due to good product prices and good demand, producers are looking for additional milk to fill plants. NEW MEXICO milk output continues to be impacted by past weather related events. Milk per cow continues to lag year ago levels as cows are not responding as favorably as expected despite better weather conditions. Class I needs are steady to higher where featured. More shipments to out of region buyers have resumed. ARIZONA milk production levels are holding mostly steady with last week. Some limited growth was noted following improvements after the rains of several weeks ago. Weather conditions are good and helping to dry lots and are providing more comfortable milk producing temperatures. Good retail and school orders continue to pull heavier volumes of Class I milk. Less surplus milk is being offered into local plants. CREAM markets remain steady to weak with the heaviest supplies noted in California. Demand remains limited for clearing spot loads and discounts are needed to move loads. Butter production is active to balance the supplies. The call for cream from other class items is seasonally slow. The CME Grade AA butter price closed at \$1.5500 on Wednesday, January 26, unchanged from a week ago. Cream multiples remain weak and range from 108 to 122, FOB, and vary depending on basing points. Conditions have been moderate for the past week in the PACIFIC NORTHWEST. Warmer than normal temperatures have brought out any of the low snow that had been in the mountains. Most ski areas in the region have closed. Contacts are expressing concern about moisture for the upcoming crop year. Calls are starting to pick up from producers looking for additional hay supplies. Little quality hay is available and it is getting more expensive. Milk production is steady at seasonal levels. Cold and snow remain over much of northern UTAH. Conditions are more open and moderate in southern IDAHO. The milk flow ranges from steady to slightly behind expectations. Heifer sales in the region indicate that prices have moved back up to levels that were recorded in mid-December. The top end ranges from \$2000-2250 and the average at the sales varies from \$1750-1975.

Southern CA as % of Total CA Production
November CDEA data

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

Central: Prices are generally higher on a firm market. Production is steady. Inventories are in balance to short of buyer interest. Most plants report that additional supplies will not be available for at least a month, encouraging buyers and traders to seek additional supplies from the West. Some trades of Western NDM are noted at delivered prices near the high side of the range. Most often, buyers and traders are told that supplies of NDM from West coast suppliers are limited with increased availability in no less than 1 month. Interest in condensed skim is good.

EAST: The market tone continues to firm. Prices are steady to higher. Production levels are lighter throughout the East. Surplus milk receipts at butter/powder plants remain lighter than expected. Another snow storm was predicted for parts of the Northeast, which gave Class I milk sales another boost. Also, some operations continue to be impacted by natural gas interruptions, which limit drying. Condensed skim sales are picking up, particularly Class III. Cheese makers who have been using NDM now find that powder is in tighter supply and prices moving higher. Therefore, they are turning back to condensed skim use. Contacts are all commenting on the tight supply of NDM. It wasn't too long ago that offerings to CCC were heavy and they had huge inventories. Currently, there is little government program powder in the market place and production is barely keeping pace with demand. Traders and buyers all comment that there is nearly a month lead time between ordering NDM from a producer and having that powder shipped. This is in sharp contrast to the NDM market we had just a few months ago. Powder once owned by CCC continues to clear easily when offered despite prices in the upper eighties and little powder less than three years old available. Domestic demand is improving as buyers/users look for additional loads to have on hand should "things" get tighter.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9000 - .9550 MOSTLY: .9000 - .9150
HIGHHEAT: .9450 - 1.0400

NONFAT DRY MILK - WEST

Prices for low/medium heat NDM are higher and continue to reflect weekly increases in basing points for spot and contract prices. The market tone is firm. Buying interest remains good across domestic and export accounts. Cheese buyers are still seeking and buying NDM to fortify/standardize cheese vats and are not finding the volumes they want. Export interest remains good and continues to clear current production and offerings. Exporters are commenting that with weekly price increases, they have to quote buyers higher future prices to cover the projected prices - and hearing some resistance. What level export prices can rise to is unknown. Low end prices in Europe and Oceania were reported last week at \$0.9750 FOB. Drying schedules are steady to slightly higher and reflect the milk supplies. Stocks are light to moderate with most committed. There has been no support price activity since the end of November. High heat prices are higher in light spot trading. Demand is generally light. Offerings are available from most suppliers.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8900 - .9300 MOSTLY: .8950 - .9050
HIGHHEAT: .9100 - .9600

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 21	\$.8854	10,377,087	0
January 14	\$.8835	10,635,441	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged to higher on a steady to firm market. Lack of NDM in the marketplace is encouraging buyer interest in dry buttermilk. Product aged as much as a year is trading at a slight discount to the market on multiple loads. Offerings of current production are noted at steady to slightly higher prices for the fair interest. Offers of Western buttermilk are noted in the Central region with some trades noted at competitive delivered prices. Production of dry buttermilk is steady to higher as butter churn activity is strong and ice cream intake of condensed buttermilk is light to fair.

F.O.B. CENTRAL: .9050 - .9550

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. The Northeast price range remains nominal. Limited spot interest is reported, but contacts do note that inquiries about price and availability seem to be increasing. Some hypothesize that dry buttermilk demand may improve as the NDM supplies appear to be tightening. Production levels are increasing as churning activity remains heavy. However, some butter makers continue to move all their buttermilk as a liquid. Plant stocks of dry buttermilk are increasing slightly. Demand is fair to good.

F.O.B. NORTHEAST: .9200 - .9400
DELVD SOUTHEAST: .9500 - .9800

DRY BUTTERMILK - WEST

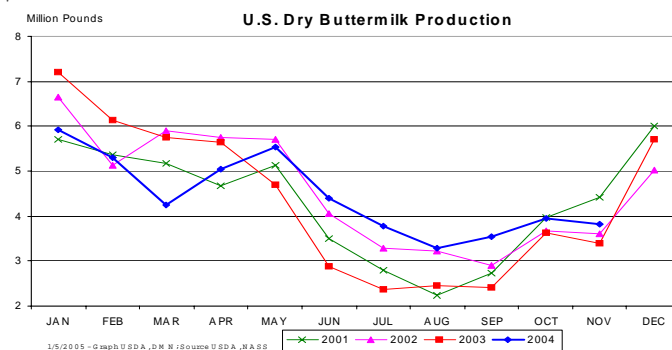
Western dry buttermilk prices and the market undertone are mainly steady to lower on the bottom of the range. Producer offerings are light to moderate and generally met with like buyer interest. Some buyers are weighing whether to secure loads at current levels against the possibility of market price declines. One influencing factor is that some demand areas are not as aggressive compared to historical levels. Conversely, NDM and other protein powders are tight compared to historic January levels. Drying schedules are steady at high volumes to process the available solids. Stocks are light to moderate.

F.O.B. WEST: .8800 - .9400 MOSTLY: .9000 - .9100

DRY WHOLE MILK - NATIONAL

Prices are unchanged this week and the market tone is steady. Production levels are light and plant stocks well balanced. Reports indicate that imported dry whole milk is not as readily available as it was prior to the holidays and this is helping improve the interest for domestic powder. Prices remain nominal.

F.O.B. PRODUCING PLANT: 1.2800 - 1.4100



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY – CENTRAL

Prices remain unchanged on a steady market. Most trade is contractual with offers noted from plants at steady list prices. Brokers report increased offerings from producer plants with some locations asking for a bid. Production is steady with most cheese plants running full. Producer inventories are reported as in balance. Buyers are receiving shipments without delay. Some feed users are opting to purchase lower cost permeate or lactose when possible. Others are limiting their purchases to an as needed basis until a better market direction is noted.

F.O.B. CENTRAL: .2400 - .2500 MOSTLY: .2400 - .2450

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady and the market tone is unchanged. With most Eastern producers reporting light to moderate cheese output, dry whey supplies are still closely balanced to tight. Some Eastern producers are sold out through the first quarter while others have the occasional spot load to clear. With cheese prices as high as they are, a few cheese makers have stepped up production, while others have maintained a steady output. Surplus milk supplies in the Northeast are light. Domestic demand is little changed. Export interest remains good.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650
DELVD SOUTHEAST: .2700 - .2825

DRY WHEY - WEST

Prices held steady again this week for Western whey powder. The market has a steady to firm undertone. Production has been steady for the past few weeks at anticipated levels. Demand is strong enough to keep powder clearing on a regular basis. Domestic buyers are ordering normal volumes of powder. Dairy proteins in general are in tight supply. Export shipments continue at steady levels. There continues to be some talk about the high prices, but there are few options for buyers looking for alternatives.

NONHYGROSCOPIC: .2450 - .2750 MOSTLY: .2550 - .2650

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a steady market. Trade interest is light. Inquiries are noted on feed grade lactose or dry permeate as a substitute to milk replacer whey. Supplies and production are generally light. December 2004 veal production totaled 14.9 million pounds, 22% below December a year ago. Calf slaughter totaled 74,700 head, down 23% from December 2003. Pork production totaled 1.86 billion pounds, down 1% from the previous year. Hog kill totaled 9.25 million head, 1% below December 2003.

F.O.B. CENTRAL:
MILK REPLACER: .2000 - .2200

Commencing Report 15 (April 8, 2005), Dairy Market News will be publishing a Dry Whey Permeate market. The pricing series will include an F.O.B. range for the Central and West region. Specifications are listed below.

Moisture content. Not more than 5 percent. Milkfat content. Not more than 1.5 percent. Protein content. Not less than 2 percent and not more than 6 percent. Lactose content. Not less than 70 percent. Ash content. Not more than 10 percent.

Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series within the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged.

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies remain extremely tight for the good interest. Supplies of WPC 80% continue to trade into feed and edible markets as a substitute to WPC 34%. Some traders are attempting to resell WPC 34% at prices above the high side of the range and meeting some resistance. Others have contracted loads for mid-February at 3-4 cents over the average. Imported supplies of WPC 70-80% are limited with reports of a few Israeli loads being offered to the trade. WPC 34% remains a good substitute to NDM into some international markets where supplies are available. Most trade is contractual with some buyers indicating delays in shipment or shortages on their contracts. If trade remains light, continued market price movement may be limited.

F.O.B. EXTRA GRADE 34% PROTEIN: .7050 - .7500 MOSTLY: .7050 - .7300

LACTOSE - CENTRAL AND WEST

Prices are mixed on a steady market. Trade varies depending on the mesh size and brand specificity. Sales are noted at a premium and a discount to the average. Production is steady. Inventories are mixed with some producer plants reportedly sold out whereas other locations are running long and offering additional loads to brokers and traders. Inquiries are noted from South East Asian nations and Mexico. Some lactose is trading into feed plants as a substitute to dry permeate and whey. Off grade lactose is available at prices below the range for the good feed interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1575 - .2100 MOSTLY: .1600 - .1900

CASEIN – NATIONAL

Casein markets and prices remain firm. Domestic buyers continue to voice their concern about not getting their contracted volumes. Suppliers indicate that they are doing their best to accommodate their customers, but are finding it increasingly challenging to totally please everyone. Often suppliers are not available when needed, thus suppliers are delaying scheduled deliveries. The Oceania production season continues to decline and is not at anticipated levels. The European production season is soon to begin. Although European producers are optimistic about the upcoming season, some indicate that it may take a year to 18 months or so before the supply situation will become balanced once again with demand.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.3000
ACID: 3.0000 - 3.3000

EVAPORATED MILK – NATIONAL

Prices and the market tone are unchanged. Production patterns are steady to lighter depending on milk supplies in various parts of the country. Demand remains seasonally slow to fair. The market is highly competitive. There are few canned evaporated milk produces in the U.S. and one was recently sold. Reportedly, the new owners are actively trying to increase market share. Producer stocks are light.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	NOV 30, 2002	NOV 30, 2003	REVISED NOV 30, 2004	DEC 31, 2002	DEC 31, 2003	DEC 31, 2004
Butter	135,632	122,544	57,177	157,820	99,613	51,795
Cheese, Natural American	474,055	467,226	481,244	493,262	491,419	477,528
Cheese, Swiss	22,251	24,083	25,934	21,784	26,237	26,331
Cheese, Other Natural	200,757	204,232	197,073	215,015	206,730	196,373

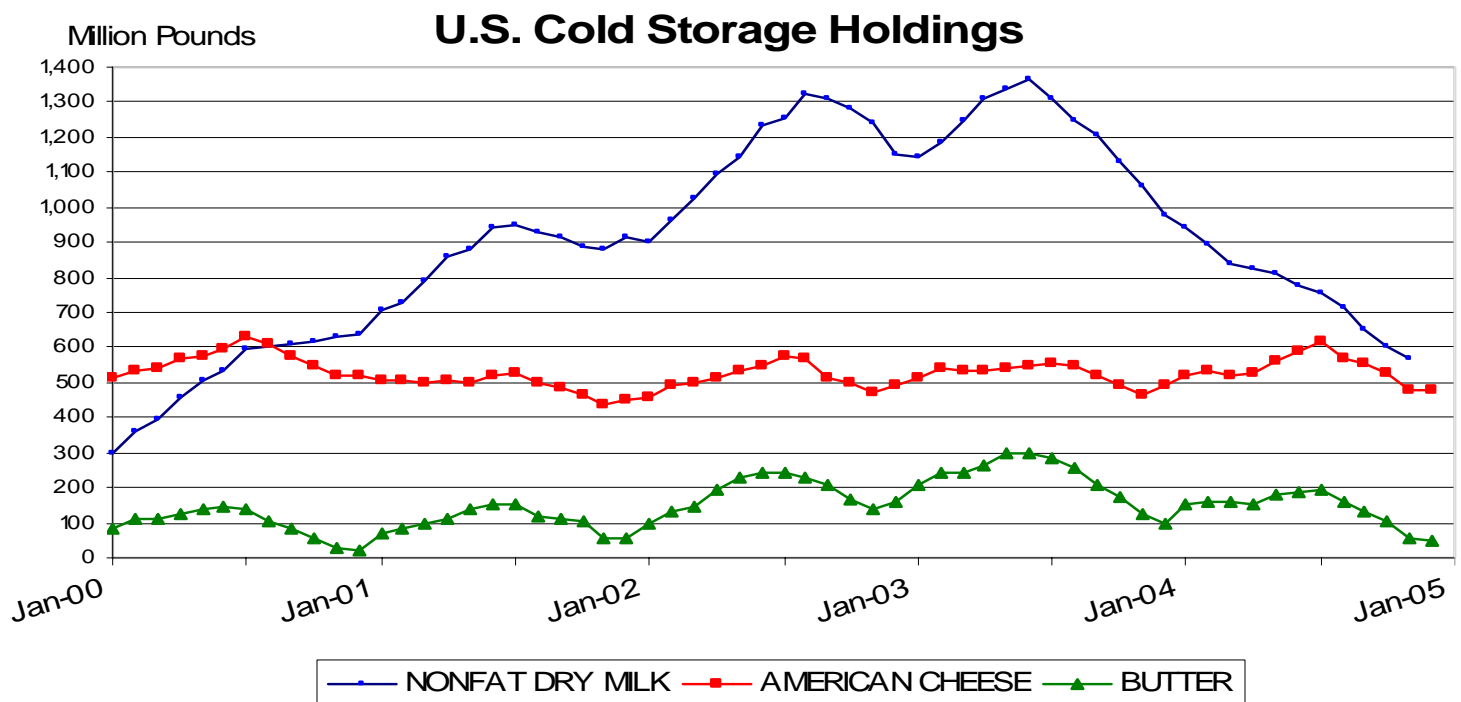
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	1,021	8,701	143	555	6,172	118
Natural American Cheese	463	6,918	4,947	197	9,614	5,062

DECEMBER STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
New England	18,656	21,455	22,835	---	---	---	364	364	371
Middle Atlantic	58,212	48,148	53,212	---	---	---	30,144	14,549	11,055
East North Central	201,936	188,614	183,858	---	---	---	114,798	120,031	115,291
West North Central	112,218	115,827	108,524	---	---	---	56,819	52,413	51,730
South Atlantic	392	457	2,505	---	---	---	2,390	1,838	124
East South Central	630	210	286	---	---	---	260	2,162	2,245
West South Central	1,686	1,502	902	---	---	---	346	107	74
Mountain	10,605	18,981	26,490	---	---	---	819	3,706	5,498
Pacific	88,927	96,225	78,916	---	---	---	9,075	11,560	9,985
TOTAL	493,262	491,419	477,528	157,820	99,613	51,795	215,015	206,730	196,373

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2003 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Million Pounds						Million Pounds						Million Pounds					
January	152	205	151	204	1	<u>3/</u>	518	515	508	515	10	<u>3/</u>	945	1,147	109	112	836	1,036
February	158	240	157	238	1	1	533	539	524	538	10	<u>3/</u>	896	1,187	95	116	800	1,071
March	158	245	158	242	1	3	521	531	511	529	10	2	841	1,247	80	137	761	1,111
April	156	264	155	259	<u>3/</u>	5	529	535	519	532	10	3	826	1,308	104	154	723	1,154
May	179	298	178	289	<u>3/</u>	9	561	539	551	536	10	3	814	1,336	123	159	691	1,177
June	187	301	187	291	<u>3/</u>	11	590	550	582	546	9	4	774	1,365	146	152	628	1,212
July	194	284	193	273	<u>3/</u>	11	616	552	609	546	7	6	755	1,308	161	90	594	1,219
August	161	254	161	244	<u>3/</u>	10	569	547	562	538	7	9	716	1,245	149	75	567	1,170
September	133	207	133	197	<u>3/</u>	10	554	517	547	508	6	9	650	1,207	127	69	523	1,138
October	107	170	107	159	<u>3/</u>	11	527	491	521	482	7	9	602	1,128	116	69	486	1,059
November	57	123	57	114	<u>3/</u>	9	481	467	476	460	5	7	565	1,062	107	87	458	975
December	52	100	52	93	<u>3/</u>	6	478	491	472	482	5	10	978		108		870	

NA = Not available.

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Nov 30, 2002	Nov 30, 2003	Nov 30, 2004	Dec 31, 2002	Dec 31, 2003	Dec 31, 2004
	Thousand Pounds					
Butter	134,611	113,843	57,034	157,265	93,441	51,677
Natural American Cheese	473,592	460,308	476,297	493,065	481,805	472,466

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

SOURCE: "Cold Storage," Co St 1 (1-05) and "Dairy Products," Da 2-6 (1-05), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for February 2005 is \$13.79 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.97 and the advanced butterfat pricing factor of 1.7438. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.68. Thus, the Class II skim milk price for February is \$7.38 per cwt., and the Class II nonfat solids price is \$0.8200. **Product Price Averages** - The two-week product price averages for February are: butter \$1.5682, nonfat dry milk \$0.8892, cheese 1.4790, and dry whey \$0.2481.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/</u> <u>2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	February 2005		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) <u>4/</u>	001	17.04	11.22	1.7763
Appalachian (Charlotte) <u>5/</u>	005	16.89	11.07	1.7748
Southeast (Atlanta) <u>6/</u>	007	16.89	11.07	1.7748
Florida (Tampa) <u>7/</u>	006	17.79	11.97	1.7838
Midwest (Cleveland) <u>8/</u>	033	15.79	9.97	1.7638
Upper Midwest (Chicago) <u>9/</u>	030	15.59	9.77	1.7618
Central (Kansas City) <u>10/</u>	032	15.79	9.97	1.7638
Southwest (Dallas) <u>11/</u>	126	16.79	10.97	1.7738
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.14	10.32	1.7673
Pacific Northwest (Seattle) <u>13/</u>	124	15.69	9.87	1.7628
All-Market Average		16.44	10.62	1.7703

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, MO., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. 10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I prices at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
OCT 2004	187.9	3.4	182.1	6.0	183.4	7.9	183.4	6.0	194.5	29.5	182.9	5.1
NOV 2004	188.2	3.2	180.9	5.7	183.0	6.8	183.9	6.9	190.4	32.6	182.4	1.7
DEC 2004	188.5	2.7	180.1	4.1	181.5	6.0	181.4	5.3	186.2	28.3	183.1	1.1
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Dollars											
OCTOBER	3.161	2.905	3.668	2.882	4.032	3.714	4.311	4.016	3.790	3.878		
NOVEMBER	3.219	2.937	3.605	2.766	3.988	3.905	4.164	4.085	3.777	3.858		
DECEMBER	3.233	2.947	3.463	2.804	3.937	3.843	4.099	4.067	3.849	3.898		

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—SEPTEMBER-NOVEMBER 2003-2004 AND ANNUAL 2003-2004 ^{1/}

Item	Sep.-Nov. 2003	Percent change ^{2/}	Sep.-Nov. 2004	Percent change ^{2/}	Jan.-Nov. 2003	Percent change ^{2/}	Jan.-Nov. 2004	Percent change ^{2/}
	Million Pounds							
MILK								
Production	40,837	-0.1	41,255	1.0	156,153	0.2	156,232	-0.2
Marketings	40,560	-0.1	40,994	1.1	155,133	0.2	155,271	-0.2
Beginning Commercial Stocks ^{3/}	12,352	1.7	10,732	-13.1	9,891	40.5	8,331	-15.8
Imports ^{3/}	1,318	4.5	1,136	-13.8	4,560	-1.5	4,780	4.8
Total Supply ^{4/}	54,230	0.4	52,862	-2.5	169,584	1.9	168,382	-1.0
Ending Commercial Stocks ^{3/}	8,542	-6.2	7,419	-13.1	8,542	-6.2	7,419	-13.1
Net Removals ^{3/}	113	126.0	3	-97.3	1,190	340.7	-61	-105.1
Commercial Disappearance ^{4/}	45,575	1.6	45,440	-0.3	159,852	1.8	161,024	0.4
SELECTED PRODUCTS ^{5/}								
Butter	391.4	-1.7	402.0	2.7	1,168.9	-0.8	1,196.1	2.0
American Cheese	981.8	-0.9	1,010.2	2.9	3,407.0	-0.4	3,481.4	1.9
Other Cheese	1,405.6	2.5	1,426.2	1.5	4,862.0	1.9	5,018.8	2.9
Nonfat Dry Milk	249.5	8.5	313.3	25.6	838.5	12.3	1,191.3	41.7
Fluid Milk Products ^{6/}	13,908.1	-1.7	13,895.8	-0.1	50,197.3	-0.8	49,769.7	-1.1

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

THE DAIRY OUTLOOK

Export Demand Dries Up Powder Surplus

Continued tightness in international dairy markets eliminated surplus removals of nonfat dry milk during the yearend holiday period—for the first time since 1989. Normally, the drop in fluid milk sales during the holidays leads to a temporary surge in production of nonfat dry milk by fluid market balancing plants, some of which winds up sold to the government. This year's export interest easily absorbed the probably limited amounts available. December net removals were actually negative, as no purchases were made, and modest amounts of old powder were sold for unrestricted use. Net removals for the October-December quarter were essentially zero.

Export data through November indicate that about 185 million pounds of unsubsidized exports occurred during the first 11 months of 2004. The pace of commercial exports reportedly picked up this autumn as expected powder supplies from Oceania failed to materialize. For the year, 2004 commercial exports were at least the second-largest ever but probably did not match the 1989 record.

Commercial exports are expected to stay large in the first half of 2005. European supplies are tight, milk production continues down in Oceania, and U.S. prices are now quite attractive. With U.S. Government stocks currently far below the massive levels of recent years, international buyers can no longer be as cavalier about arranging supplies. Unless Oceania production rebounds quite robustly during the end of their season, most of the available U.S. powder through midyear probably will be exported.

Small first-half removals are possible—but far from certain. Some powder is likely to wind up out of position, and additional amounts may be sold to the Government when an export deal falls through. However, international markets tight enough to hold support purchases to negligible amounts are certainly possible. The powder surplus probably will stay small until at least the new season in Oceania.

Commercial exports are expected to persist into the second half of 2005. Some easing of international markets is possible, and exports are not expected to be as large as during the first half. However, surplus purchases are not projected to be large during the second half.

DAIRY FORECASTS (Calendar year basis)

	2004		2005			
	IV	ANNUAL	I	II	III	ANNUAL
Milk cows (thous.)	9,018	9,009	8,980	8,955	8,940	8,950
Milk per cow (pounds)	4,646	18,924	4,845	5,010	4,790	19,445
Milk production (bil. pounds)	41.9	170.5	43.5	44.9	42.8	174.1
Commercial use (bil. pounds)						
milkfat basis	45.8	176.0	43.1	44.0	45.4	178.5
skim solids basis	44.2	173.1	43.9	44.4	44.2	176.6
Net removals (bil. Pounds)						
milkfat basis	0.0	-0.1	0.0	0.0	0.0	0.0
skim solids basis	0.0	1.3	0.3	0.2	0.4	1.5

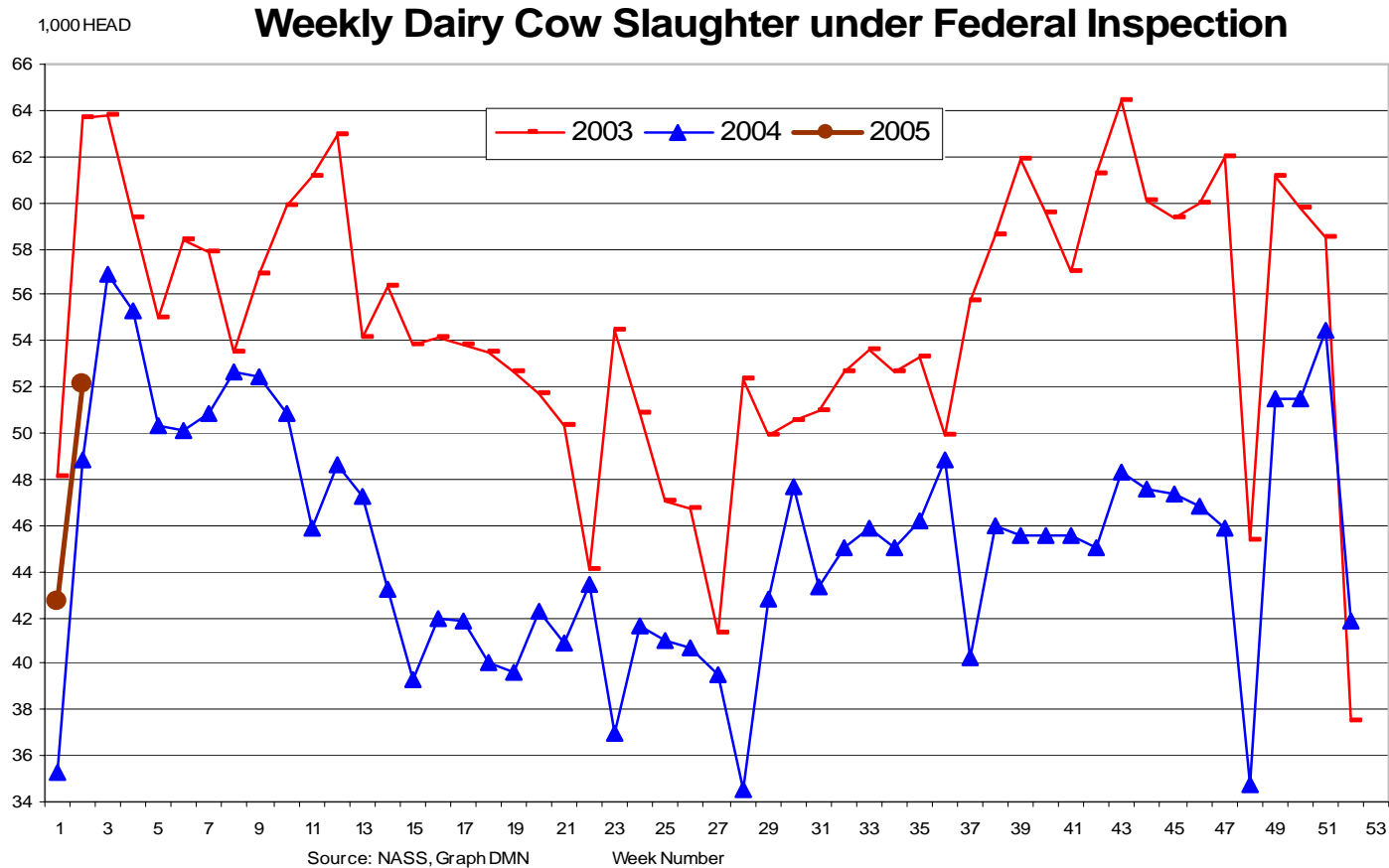
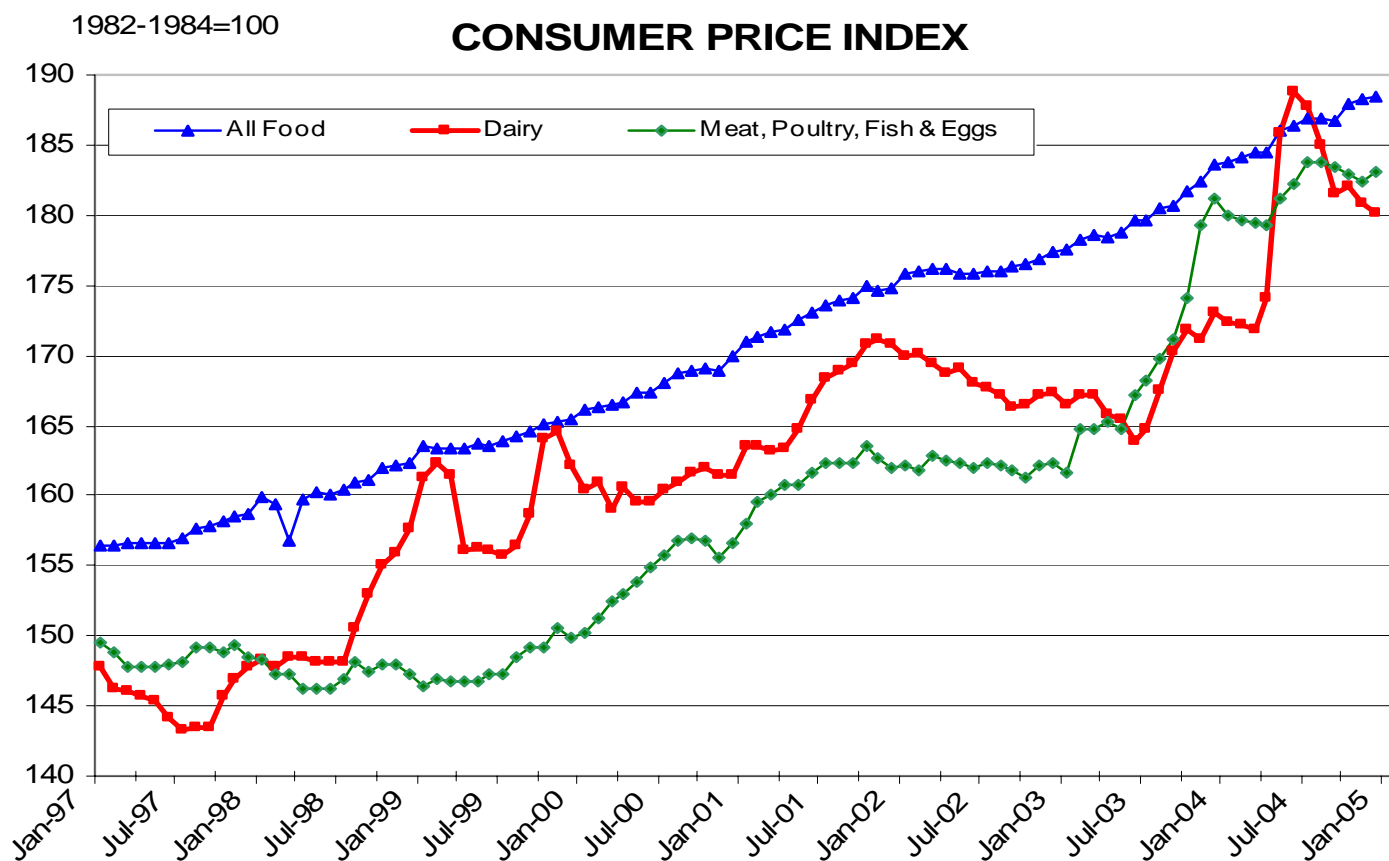
Source: "Livestock, Dairy, and Poultry Outlook," LDP-M-127, January 21, 2005, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184. Milk production statistics for 2004 have been revised from forecasted to actual figures.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, FEBRUARY 2005, WITH COMPARISONS ^{1/}												
CITY	February 2003			February 2004			January 2005			February 2005		
	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence	Announced Coop.	Federal Order	Differ- ence
	Dollars Per Hundredweight, 3.5% Butterfat											
Atlanta, GA	15.59	13.33	2.26	16.63	14.69	1.94	20.93	19.75	1.18	18.50	16.89	1.61
Baltimore, MD	14.83	13.23	1.60	16.44	14.59	1.85	21.45	19.65	1.80	18.59	16.79	1.80
Boston, MA	14.88	13.48	1.40	16.54	14.84	1.70	21.60	19.90	1.70	18.74	17.04	1.70
Charlotte, NC	15.59	13.33	2.26	16.63	14.69	1.94	20.93	19.75	1.18	18.50	16.89	1.61
Chicago, IL	14.04	12.03	2.01	15.34	13.39	1.95	21.28	18.45	2.83	18.63	15.59	3.04
Cincinnati, OH	14.33	12.43	1.90	15.46	13.79	1.67	20.61	18.85	1.76	17.75	15.99	1.76
Cleveland, OH	14.13	12.23	1.90	15.26	13.59	1.67	20.41	18.65	1.76	17.55	15.79	1.76
Dallas, TX	14.63	13.23	1.40	16.00	14.59	1.41	20.15	19.65	0.50	17.79	16.79	1.00
Denver, CO	13.63	12.78	0.85	14.99	14.14	0.85	20.05	19.20	0.85	17.19	16.34	0.85
Des Moines, IA	13.42	12.03	1.39	14.78	13.39	1.39	20.17	18.45	1.72	17.31	15.59	1.72
Detroit, MI	13.52	12.03	1.49	15.16	13.39	1.77	20.11	18.45	1.66	17.25	15.59	1.66
Hartford, CT	14.78	13.38	1.40	16.44	14.74	1.70	21.50	19.80	1.70	18.64	16.94	1.70
Houston, TX	15.23	13.83	1.40	16.60	15.19	1.41	20.75	20.25	0.50	18.39	17.39	1.00
Indianapolis, IN	14.13	12.23	1.90	15.26	13.59	1.67	20.41	18.65	1.76	17.55	15.79	1.76
Kansas City, MO	14.01	12.23	1.78	15.08	13.59	1.49	19.86	18.65	1.21	17.00	15.79	1.21
Louisville, KY	13.86	12.43	1.43	15.31	13.79	1.52	20.46	18.85	1.61	17.60	15.99	1.61
Memphis, TN	15.09	13.03	2.06	16.13	14.39	1.74	20.43	19.45	0.98	18.00	16.59	1.41
Miami, FL ^{3/}	17.67	14.53	3.14	18.90	15.89	3.01	23.29	21.04	2.25	20.86	18.18	2.68
Milwaukee, WI	14.14	11.98	2.16	15.29	13.34	1.95	21.23	18.40	2.83	18.58	15.54	3.04
Minneapolis, MN	13.49	11.93	1.56	14.99	13.29	1.70	20.93	18.35	2.58	18.28	15.49	2.79
New Orleans, LA	15.74	13.83	1.91	16.78	15.19	1.59	21.23	20.25	0.98	18.80	17.39	1.41
Oklahoma City, OK	14.48	12.83	1.65	15.65	14.19	1.46	19.80	19.25	0.55	17.44	16.39	1.05
Omaha, NE	13.47	12.08	1.39	14.83	13.44	1.39	19.92	18.50	1.42	17.06	15.64	1.42
Philadelphia, PA	14.88	13.28	1.60	16.49	14.64	1.85	21.71	19.70	2.01	18.85	16.84	2.01
Phoenix, AZ	12.73	12.58	0.15	14.09	13.94	0.15	19.15	19.00	0.15	16.29	16.14	0.15
Pittsburgh, PA ^{2/}	14.04	12.33	1.71	15.69	13.69	2.00	20.71	18.75	1.96	17.85	15.89	1.96
St. Louis, MO	13.48	12.23	1.25	14.84	13.59	1.25	20.20	18.65	1.55	17.34	15.79	1.55
Seattle, WA	12.55	12.13	0.42	13.91	13.49	0.42	18.97	18.55	0.42	16.11	15.69	0.42
Springfield, MO	14.08	12.43	1.65	15.25	13.79	1.46	19.40	18.85	0.55	17.04	15.99	1.05
Washington, DC	14.83	13.23	1.60	16.44	14.59	1.85	21.45	19.65	1.80	18.59	16.79	1.80
Simple Average	14.38	12.76	1.62	15.71	14.12	1.59	20.64	19.18	1.46	17.94	16.32	1.62

^{1/} This table contains information obtained from the Class I price announcements sent by the major cooperative in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

^{2/} Announced Coop. price for January has been revised.

^{3/} Federal Order Class I price for Jan.- Feb. 2005 includes the "\$0.09 Hurricane Relief Assessment" to be consistent with cooperative's price announcement.



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 24 - 28, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 01/21/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	191,399,171	-0-	872,725,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	191,280,123	-0-	919,116,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 24 - 28, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	3.1	214.6
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	41.2	2,226.5
CUMULATIVE JANUARY 1 - 28, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	15.7	877.2

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 24 - 28, 2005 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	4,237,158	4.2	2.3
WEST	-0-	-42,309	-0-	-0-	29,415,099	182,544,241	92.4	95.3
EAST	-0-	-0-	-0-	-0-	1,070,603	4,498,724	3.4	2.4
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	191,280,123	100.0	100.0

NDM SELLBACK TO THE TRADE The cumulative sellback total for 2005 is 0 pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/08/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2005-Dairy	0.0	0.8	6.9	3.6	15.6	4.9	1.1	1.0	14.3	3.8	52.1	94.8
2004-Dairy	2.0	0.8	6.0	5.1	16.1	2.9	0.2	1.1	13.8	2.6	48.8	84.1
2005-All cows	0.1	0.8	8.4	12.3	29.3	14.1	11.9	3.4	15.3	6.4	101.9	188.0
2004-All cows	0.2	0.9	7.9	11.1	29.6	15.3	16.6	3.2	14.9	6.0	105.7	188.5

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2005	FEB 2005
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	14.43	16.65	13.79
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66	13.57	14.09	13.98		
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14		
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00	12.81	13.34	13.42		

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cis_prod_cmp_pr.htm